

## **Value-based purchasing: Pay for performance in home health**

**ISSUE:** One strategy that Medicare should use to increase the value of the healthcare services is linking a portion of payments to improving the quality of care. We have been asked by Congress to consider several issues in designing such a pay-for-performance (P4P) program.

**KEY POINTS:** In our previous discussions, we have considered the evidence from private P4P programs and the challenges of quality measurement. At this meeting, we will build upon those considerations to develop an illustration of one possible design for a P4P system. In our discussion of this design, we will address the four questions the Congress posed in the legislation of this mandated report:

- How should Medicare fund a P4P system?
- How should the program set the thresholds for rewards and penalties?
- What is an appropriate size for a reward or penalty?
- What is a good balance between rewarding improvement and attainment?

This paper will use national, aggregate data as well as agency-specific data to illustrate each decision point and the alternatives.

**ACTION:** This work is preparatory to our report to Congress on the design of a home health P4P system, due in June 2007.

**STAFF CONTACT:** Sharon Bee Cheng (202-220-3712)